

121 FERC ¶ 61,218  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

November 29, 2007

In Reply Refer To:  
Kinder Morgan Illinois Pipeline LLC  
Docket No. RP08-34-000

Kinder Morgan Illinois Pipeline LLC  
747 East 22<sup>nd</sup> Street  
Lombard, IL 60148-5072

Attention: Bruce H. Newsome, Vice President

Reference: Certificate Compliance Filing

Ladies and Gentlemen:

1. On October 26, 2007, Kinder Morgan Illinois Pipeline LLC (KMIP) filed its proposed FERC Gas Tariff, Original Volume No. 1 (*see* Appendix) to comply with the Commission's July 17, 2007 Order (Certificate Order) granting KMIP a certificate of public convenience and necessity to construct and operate approximately 3.1 miles of 24-inch pipeline, appurtenances, and three meter stations, lease 360,000 Dth per day of capacity from Natural Gas Pipeline Company of America (Natural), and provide open-access transportation services.<sup>1</sup> In addition, KMIP also filed a negotiated rate agreement between KMIP and The Peoples Gas Light and Coke Company (Peoples). The Certificate Order required KMIP to file revised tariff sheets to comply with the requirements of the order, to file any negotiated rate agreements or a tariff sheet fully describing such transactions, thirty to sixty days prior to commencement of service. We accept KMIP's FERC Gas Tariff, Original Volume No. 1 to be effective on December 1, 2007, subject to further revisions discussed below, and accept the negotiated rate agreement with Peoples as filed.

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<sup>1</sup> *Natural Gas Pipeline Company of America and Kinder Morgan Illinois Pipeline LLC*, 120 FERC ¶ 61,050 (2007).

2. Public notice of KMIP's filing was issued on October 29, 2007. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. §154.210 (2007). Pursuant to Rule 214 of the Commission's Rules and Practices of Procedure, 18 C.F.R. §385.214 (2007), all timely motions to intervene and any motions to intervene out-of-time filed before the issuance of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. On November 7, 2007, Peoples filed a motion to intervene and comments.

3. The Certificate Order stated that section 19.1(h) of KMIP's tariff included a minimum Btu heating content but found that the section provided KMIP with too much discretion in its ability to vary its upper Btu limit or dew point limit without providing adequate notice and explanation to its customers. The Certificate Order required KMIP to modify its gas quality provisions to include, consistent with the principles set forth in the Commission's *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Tariffs*,<sup>2</sup> (Policy Statement) specific limits in its tariff if KMIP felt it necessary to limit the maximum Btu content or the dewpoint of gas received on its system. In addition, the Certificate Order required KMIP to include in its tariff a specific mechanism for modifying these provisions to the extent it desired flexibility to vary the standards in particular circumstances. KMIP's compliance filing states that the Lease Agreement between Natural and KMIP requires that gas entering KMIP's system meet Natural's gas quality tariff provisions and, as a result, KMIP's gas quality tariff provisions reflect Natural's currently effective gas quality tariff provisions. KMIP also states that Natural's gas quality tariff provisions are the subject of a pending proceeding before the Commission in Docket No. RP01-503-000 and KMIP requests that its gas quality tariff provisions be made subject to the outcome of Natural's Docket No. RP01-503-000.

4. KMIP has not made any changes to the gas quality provisions in its tariff as required by the Certificate Order. Instead, KMIP states that those provisions reflect the gas quality provisions in Natural's tariff because its lease with Natural requires that gas entering KMIP's system meet Natural's gas quality tariff provisions. We cannot accept KMIP's filing because the gas quality provision in section 19 does not "reflect Natural's currently effective gas quality provision." While KMIP section 19.1(h) was similar to Natural's gas quality provision at one point, this is no longer the case. As a result of Commission orders, Natural revised the gas quality provisions in section 26 of its tariff to include "Safe Harbor" values, as set forth in Third Revised Sheet No. 343 and First Revised Sheet No. 343 A, which the Commission accepted by order issued September 23, 2003.<sup>3</sup> While there still are pending proceedings to resolve certain issues, these tariff

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<sup>2</sup> 115 FERC ¶ 61,235 (2006).

<sup>3</sup> *Natural Gas Pipeline Company of America*, 104 FERC ¶ 61,322 (2003).

provisions are the currently effective gas quality provisions for Natural. Accordingly, while there is merit to KMIP's contention that its gas quality provision should mirror Natural's provisions, KMIP must file revised tariff sheets that reflect Natural's currently effective gas quality tariff provisions (which shall be subject to the outcome of Natural's Docket No. RP01-503-000 proceeding), or explain why KMIP's proposed tariff sheet complies with the Certificate Order.

5. The Certificate Order found that KMIP had generally complied with the NAESB standards requirements and required KMIP to incorporate several standards that were not included in its *pro forma* tariff. KMIP states in its compliance filing it is not, at this time, incorporating by reference NAESB standards 4.3.89, 4.3.90, 4.3.91 and 4.3.92, as such standards have not yet been approved by the Commission. KMIP is incorrect. On May 9, 2005, the Commission issued Order No. 587-S,<sup>4</sup> which incorporates Version 1.7 of the NAESB Wholesale Gas Quadrant's consensus standards; the standards to implement Order No. 2004, ratified by NAESB on June 25, 2004 (2004 Annual Plan Item 2 FERC Order 2004); the standards to implement Order No. 2004-A, ratified by NAESB on May 3, 2005 (2005 Annual Plan Item 8 FERC Order 2004); and the standards governing gas quality reporting, ratified by NAESB on October 20, 2004 (Recommendation R03035A). Standards 4.3.89, 4.3.90, 4.3.91 and 4.3.92 are the gas quality reporting standards adopted by NAESB in Recommendation R03035A and approved by the Commission in Order No. 587-S. Therefore, KMIP is ordered to incorporate the standards as required by the Certificate Order.

6. Section 6.2(d) of KMIP's tariff states, in part, that KMIP will allow Intra-Day Nominations outside of the standard NAESB nomination cycles if the timing is consistent with an allowed nomination cycle in the "interconnecting point operator's" tariff. In response to comments made by Peoples in the certificate proceeding concerning the meaning of the term "interconnecting point operator," KMIP clarified in its October 31, 2006 Answer that the intent of the provision is to mirror nomination changes permitted by upstream pipelines so gas nominated thereunder can flow through on KMIP. KMIP explained that if the upstream pipeline's tariff allows for the nomination change after the Intraday 2 NAESB nomination cycle, KMIP will accept a corresponding nomination on KMIP. KMIP did not propose any tariff change in its Answer. In its comments on KMIP's compliance filing, Peoples states that while it agrees that KMIP's previous answer satisfactorily explains the meaning of the phrase "interconnecting point operator," nevertheless, in order to remove any ambiguity, it requests that the explanation be

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<sup>4</sup> *Standards for Business Practices of Interstate Natural Gas Pipelines*, Order No. 587-S, 70 Fed. Reg. 28204 (May 17, 2005), FERC Statutes and Regulations, Regulations Preambles 2001-2005 ¶ 31,179 (May 9, 2005).

incorporated in any Commission order addressing KMIP's tariff. In order to remove any ambiguity the Commission orders KMIP to add a definition of "interconnecting point operator" to its tariff as requested by Peoples.

7. In compliance with the Certificate Order, KMIP is filing Sheet No. 6, which describes the negotiated rate agreement with Peoples, as well as filing the negotiated rate agreement itself. The negotiated rate agreement has a negotiated reservation rate of \$0.7600/Dth that is fixed for the term of the agreement. KMIP states that the agreement does not deviate in any material aspect from the form of service agreement in KMIP's tariff. The Commission has reviewed the negotiated rate agreement with Peoples and finds that it does not deviate in any material aspect from the *pro forma* service agreement. The Commission accepts the negotiated rate agreement and related tariff sheet describing the transaction.

8. In sum, the Commission accepts Kinder Morgan Illinois Pipeline LLC's tariff sheets listed in the Appendix to be effective December 1, 2007, subject to KMIP filing revised tariff sheets, within 15 days of the date of this order, consistent with the discussion in the body of this order.

By direction of the Commission.

Kimberly D. Bose,  
Secretary.

cc: All Parties  
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**Appendix**

**Kinder Morgan Illinois Pipeline LLC  
FERC Gas Tariff, Original Volume No. 1**

***Tariff Sheets Effective December 1, 2007, Subject to Conditions***

Original Sheet Nos. 0 through 6

Sheet Nos. 7-14 (Reserved for future use)

Original Sheet Nos. 15 through 35

Sheet Nos. 36-99 (Reserved for future use)

Original Sheet Nos. 100 through 242

Sheet Nos. 243-299 (Reserved for future use)

Original Sheet Nos. 300 through 306

Sheet Nos. 307-399 (Reserved for future use)